# Institution CIOT - ATT Course ATT Paper 1 Personal Taxation

# Event NA

## Exam Mode **OPEN LAPTOP + NETWORK**

## Exam ID

Count(s)		Word(s)	Char(s)	Char(s)	(WS)
Section	1	99	437	530	
Section	2	42	148	188	
Section	3	163	700	863	
Section	4	78	354	433	
Section	5	167	782	945	
Section	6	126	590	780	
Section	7	164	726	890	
Section	8	26	96	120	
Section	9	119	510	628	
Section	10	34	162	194	
Section	11	128	559	682	
Section	12	303	1257	1558	

Answer-to-Question-\_1\_

Company Name	Type of Shares	Eligilbity	Reason
A Ltd			Any Number of
	Unquoted UK	Yes	shares in an
	Trading Company		unquoted trading
			company qualify

B plc - This will not qualify as it is from a quoted trading company and Ranvir's sister Ramona has less than 5% voting rights as they aren't involved in the business. This means Ranvir will pay capital gains tax on the disposal of these shares

C plc - Will not qualify as these are from an investment compnay, not a trading company

D ltd - Yes as these are from an unquoted trading compnay -------ANSWER-1-ABOVE------

ANGWED 2 DELOW
ANSWER-2-BELOW
Answer-to-Question2_ <b>X PLC</b> 241.90 + 243.30 = 485.20 485 / 2 = 243 pence
$7500 \times £0.243 = 1822.5$
HL Fund For unit trusts the market value is the lower price of the two, making it 168 pence
$6,800 \times £0.168 = 1142.4$
ANSWER-2-ABOVE

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ANSWER-3-BELOW		
Answer-to-Question- 3		
TIISWCI-10-Question3_		

The UK allows for foreign tax paid on income which has been charged to UK income tax to be given as a tax credit for the income tax computation. This is given before credit for UK tax e.g. UK PAYE. The tax credit that is availabel in the UK would be the lower of the overseas tax suffered or the UK tax laibility on that foreign income.

For her foreign income we would need to work out the gross amount as opposed to the net amount we have been given so we could work out the foreign tax suffered. On the basis that Francesca is an additional rate taxpayer, her marginal rate of tax would be 45% in the UK. Therefore, given that her French interest income was received net of 42% witholding and her property income from Spain was received net of 25% witholding, it is likely that the overseas atx would be the credit to use on Francesca's income tax computation.

ANSWER-3-ABOVE	

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ANSWER-4-BELOW
Answer-to-Question4_ The gross amount of any loans to buy machinery would be paid gross and deducted in the noome tax computation. In this case, Michael buying a printer and other office equipment.
Company loan stock interest is received net of a 20% tax credit. Therefore, the gross figure of this would be taxed as normal savings income and then the tax credit of the difference between the gross and net figures is deducted to find out the tax due.

ANSWER-5-BELOW	
Answer-to-Question_5_ 2608 x 100/80 = 3260	
1232 x 100/55= 2240 2240 - 1232 = 1008	
3260 + 2240 = 5500	

The interest Ammar has received from his interest in possession trust will be taxable as non-savings income and will need to be grossed up before being included in his income tax computation. This gross figure of £3260, which has been grossed up as it was recieved net of basic rate income tax, is then implemented into the income tax computation.

The dividends are treated slightly differently and they are taxed as dividend income. Due to the gross trust income of £5500 exceeding the £5,000 exemption on the accrued income scheme, we would not be able to deduct this from Ammar. Therefore, the dividend allowance would be applied making the gross amount of £2240, only £1240 would be taxable after deducting the dividend allowance of £1000

Ammar has a tax credit of £1008that he can deduct from his income tax liability due to this coming from a discretionary trust.

ANSWER-5-ABOVE	
ANS WEK-J-ADO VE	

ANSWER-6-BELOW	
Answer-to-Question6_	

The voluntary termination payment will have no national insurance due on it, as this is not contractural and is not regarded as earnings. However, for income tax anything over £30,000 would be due for taxation, in this case £45,000 would be due. This qualifies as an ex gratia payment as Harry was surprised by Potter Plc as he was only expecting the restraint of trade payment.

Harry's earnings exceed the upper earnings limit, hence he would have NIC deducted at 2%. He is an additional rate taxpayer so will be taxable at 45%.

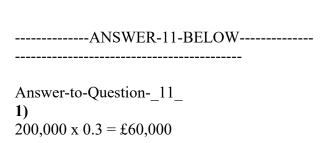
ANSWER-7-BELOW
Answer-to-Question7_ The original filing date for Diana to file her return would have been the 31st January 2023.
A taxpayer has, 12 months after the end of the tax year to amend their return, in Diana's case seen as this was made on the 16th November 2023, before the 31st January 2024, she could make the necessary changes.
HMRC would have to amend this arithmetic error by the 28th February 2024 as this is 9 months after they received Dianna's tax return.
For HMRC to make an enquiry into Diana's atx return, they would need to do this before the 30th May 2024, 12 months after receing the return.
For Diana to appeal the amendmendts required in the closure notice, she would need to appeal this in writing within 30 days of the amendements being made.
Diana would be required to retain records for 22 months after the end of the tax year, meaning she would need to keep these until the 30th November 2024.
ANSWER-7-ABOVE

ANSWER-8-BELOW
Answer-to-Question8_ 55 - 20 = 35 years 130,000 x 0.91981 = 119,575
130,000 x 75,000 / 75,000 + 119,575 = 50,109
75,000 - 50,109 = 24,891 Gain
ANSWER-8-ABOVE

-----ANSWER-9-ABOVE-----

ANSWER-9-BELOW
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Answer-to-Question9_
FHL Bramble Cottage - Wouldn't qualify for furnshed holiday lettings (FHL) as it is was only let for 90 days, not exceedint the necessary 105 day threshold
Orhcard House - Wouldn't qualify as it would need to be avialble for more than 210 days, this is available for only 200 days.
The other properties would qualify as they are in the UK, furnished, available for more than 210 days, acutally let for more than 105 days and Carlos only allowed them to saty for a maximum of three weeks so there was no one that was there for a longer term occupation for not more than 155 days.
<b>Rent</b> $800 \times 9 = £7200$ would be taxable for $2023/24$

ANSWER-10-BELOW
Answer-to-Question10_
<b>Fiona's Son</b> 75,000 - 40,000= 35,000 (Held over gain from gift relief)
75,000 - 35,000 = 40,000 (David's cost basis)
120,000 - 40,000 = £80,000 Gain
Fiona's Husband 120,000 - 45,000 = £75,000 Gain
ANSWER-10-ABOVE

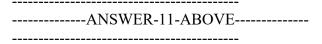


Sally's investment exceeds the £200,000 threshold so she would only be able to claim back £60,000. Meaning she wouldn't be able to make a claim on the additional £50,000 she invested.

Seen as dividends from a VCT are tax free on the first £200,000 invested, this means dividends on the remaining £50,000 will be taxable. Meaning £2460 would be taxable.

3) 
$$210,000 \times 30\% = 63,000$$

Seen as Sally sold these shares within 5 years of acquring them, she would be able to claim an income tax reflief of the sale proceeds multiplied by 30%, seen as she made a loss on them. Meaning her income tax releif would be £63,000.



ANSWER-12-BELOW
Answer-to-Question_12 Raoul wouldn't meet any of the tests for non-resident, due to him tax resident for the last 5 years the 16 day threshold would apply to him and Raoulwill spend 61 days in the UK so this woulsn't apply. Also Raoul is retired so would not be working overseas.  A
Raoul would not meet the first test for automatice resident in the UK as he would be spending less than 183 days in the UK in the tax year. He also wouldn't qualify for the second test as he would have a UK home for atleast 91 consecutive days, including 30 days in the tax year, however he has a holiday home available to him in Florida so this would not allow him to qualify for this. Raoul would also not work full time in the UK, as he is retired so he wouldnt qualify on this basis either. Therefore, we would need to look at the sufficient ties test.
Raoul would have three ties to the UK which would be:the fact that he spent more than 90 days in the UK in either of the two previous tax years, he would have accommodation in the UK and he would spend as many days in the UK as any other country. The work tie wouldn't apply as he is retired and we are also unaware of any family so that tie wouldn't apply either.
Therefore, this means for Raoul to be considered non-resident he would need to spend less than 46 days in UK in the tax year
Based on Raoul's circumstances, I would expect him to be considered a UK tax resident for the 2023/24 tax year. This is because he expects to spend 61 days living in his UK home in the 2023/24 tax year, breaking the previously discussed 46 day threshold.
ANSWER-12-ABOVE

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Section	13	272	1212	1616	
Section	14	395	1722	2115	
Section	15	97	420	526	
Section	16	294	1289	1580	

------ANSWER-13-BELOW-----

Answer-to-Question-\_13\_

#### **Loan Interest**

 $30,000 \times 0.01 \times 10/12 = 250$ 

$$25,000 \times 0.01 \times 2/12 = 42$$

Total interest = £292

# **Company Car**

List Price - £36,000

Contributions - (500)

Revised List Price = 36000 - 500 = 35,500

$$114 - 75 = 39$$

$$39 / 5 = 7.8$$

$$20\% + 7\% = 27\%$$

 $35,500 \times 0.27 = 9585$ 

#### Pension

 $80,000 \times 0.05 = 4000$ 

#### Gift Aid

£7,800 to be deducted as quoted shares

#### **Income Tax Proforma**

NSI Interest

Salary 80,000

Company Car 9,585

Medical Insurance 1,450

Debt 1,350

Pension 4,000

Interest 2000

Taxable Income 96,385 2000

Loan Interest (292)

Gift Aid (7,800)

Less PA (12,570)

Net Income 75,723 2000

37,700 at 20% 7,540

38,023 at 40% 15,209

500 at 0% 0

1500 at 40% 600

Income Tax 23,349

Less: PAYE (19,000)

Income Tax payable = £4349

#### **Class 1a Contributions**

 $75,723 \times 13.8\% = 10449.774$ 

£10,450 would be due by the 22nd July 2024 if made electronically, if not this would be the 19th July 2024.

#### **Dismissal**

The law recoginses that jury service is a civil duty, and employees are legally protected on these grounds from dismissal. This would be expected to be treated as unfair dismissal by Catcher Ltd as employers are expected to accommodate such civic obligations.

If Holden is successful in this claim, he would be entitled to something known as a basic award which would prbbaly be the case as he was employed in 2023/24. This would account for his length of services (years, his weekly pay (cap of £643)and also his age bracket. This information would determine what Holden would be owed by his employer for unfair dismissal.

ANSWER-13-ABOVE				
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ANSWER-14-BELOW	
ANSWER-14-BELOW	

Answer-to-Question-\_14\_

1)

Tomas would have intially been UK domciled as his father was UK domiciled at the time making this Tomas's domicile of origin. But then his Dad moved himself and Tomas to Ruritania when Tomas was 3. His dad then acquired Ruritania as a domicile of choice and given Tomas's age this would mean he would be considered a Ruritania domicile. And then when Tomas turned 16 he worked for Spike Ltd in Ruritania and intended to settle their.

Despite Tomas returning to the UK at 45 years old for 2 years, this would not change his domicile staus as he would still have significant ties to Ruritania, and he also panned to return after the end of this 2 year contract.

Due to Tomas owning several properties in Ruritania from which he receives rental income from (also including capital gains on a disposal of one or more of the properties) and also spending a significant amount of time in the country, it would be expected that he would be considered a non-UK domicile.

This means Tomas would be able to claim the remittance basis of atxation which would allow him to exempt any foreign income and capital gains whilst he is UK resident from UK taxation, as long as this income is not remitted to the UK. This would only apply to income earnt after he became a UK resident, as the UK would then look to tax his worldwide income. This could be useful for any rental income Tomas receives from his properties in Ruritania, if this is kept outside of the UK in an overseas bank account then it would not be subject to UK taxation.

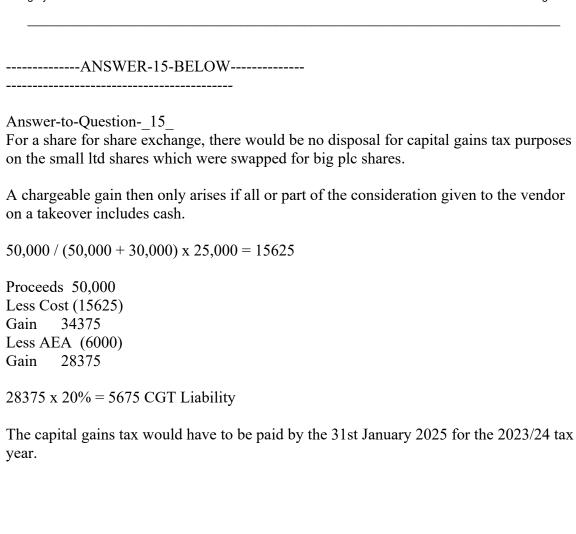
2) Seen as Jerome has brought in money from his Freedonia bank account this would be subject to UK tax. The income used for to buy UK gifts would be taxable in the UK.

However the gift offshore to his son would be taxable at the point that his son brought this income into the UK. Seen as this is Jerome's income he would suffer the tax laibility arising from the remittance of this income.

3) The income used to buy UK gifts would be deemed to be remitted first and then when his son brings the income he has been gifted in the UK, that is when this would be considered remitted into the UK.

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ANSWER-14-ABOVE			

-----ANSWER-15-ABOVE-----



-----ANSWER-16-BELOW-----

Answer-to-Question- 16

Jamie owned the house for 13 years, however didn't occupy the home for all this time. He couldn't live in it for the first year as it was being renovated, after this he then lived there for 4 years. In 2015, Jamie moved out to live with his partner before returning a year later to live in it for another 5 years. He moved out in 2021 before selling the house in 2023.

Therefore, he was absent for 4 years in total. We will be calim back 3 years and 9 months of this however as HMRC allows 3 years of deemed occupation for any reason and the the last 9 months of onwership will qualfiy also.

13 x 12 = 156 (Number of Months) 153 (Deemed Occupation)

 $700,000 \times 153 / 156 = 686538.4615 = £686,538$ 700,000 - 686,538 = £13,462 gain

Therefore given that this was Jamies main residence this would be able to qualify for private residence relief so therefore he would only have to pay capital gains on a gain of £13,462, with £686,538 being deducted from the original gain of £700,000 due to his deemed occupation in the property.

Jamie would unofrutnately not qualify for lettings relief, as he was living elsewhere whislt he had tenants living in his property. If Jamie was living with his tenants when his property was let out then he would qualify for lettings relief, however this was not the case so it doesn't apply.

2)

Seen as this is the sale of a residential property, Jamie would need to file a Capital Gains Tax Return using the 'capital gains on UK property' online service within 60 days of seeling the property. Therefore, this would need to be done by the 31st October 2023.

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